

**ISP010 - 2007
Packet**

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- B. Growth Calculation Method Charts**
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INTERIM STUDY PROPOSAL 2007-010

State of Arkansas
86th General Assembly
Regular Session, 2007

HCR1024

By: Representative Kenney
By: Senators Argue, Bisbee, Baker, J. Jeffress, Bryles, Hendren, Broadway, G. Jeffress

Referred to the
Education Committee- House
by the House of Representatives
on 03/15/2007

HOUSE CONCURRENT RESOLUTION

REQUESTING THAT IN CONCORDANCE WITH THE 2006 ACT
57 ADEQUACY STUDY, THE HOUSE AND SENATE INTERIM
COMMITTEES ON EDUCATION CONDUCT A STUDY TO
DETERMINE THE EXTENT OF THE NEED FOR STATE
FOUNDATION FUNDING FOR A SCHOOL DISTRICT'S GROWTH
IN AVERAGE DAILY MEMBERSHIP, WHAT LEVEL OF
FUNDING MAY BE NEEDED, AND ON WHAT BASIS THE
STATE SHOULD PROVIDE THE FUNDING.

Subtitle

REQUESTING A STUDY TO DETERMINE THE
NEEDS FOR STATE FOUNDATION FUNDING FOR A
SCHOOL DISTRICT'S GROWTH IN AVERAGE
DAILY MEMBERSHIP, WHAT LEVEL OF FUNDING
MAY BE NEEDED, AND ON WHAT BASIS THE
STATE SHOULD PROVIDE THE FUNDING.

WHEREAS, under Arkansas law, a school district experiencing growth in
its average daily membership may receive \$5,400 per pupil for the increase,
if any, in average daily membership over the previous year's average daily
membership, as calculated in Arkansas Code § 6-20-2303(19); and



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WHEREAS, the Lake View plaintiff school districts have asserted that a school district experiencing a growth in its average daily membership may not receive an adequate amount of funding based on that method of calculating growth funding; and

WHEREAS, the General Assembly needs additional information as to what costs a school district experiences when it's average daily membership increases, what factors influence those costs, and at what point those costs exceed the \$5,400 currently provided,

NOW THEREFORE,

BE IT RESOLVED BY THE HOUSE OF REPRESENTATIVES OF THE EIGHTY-SIXTH GENERAL ASSEMBLY OF THE STATE OF ARKANSAS, THE SENATE CONCURRING THEREIN:

THAT the House and Senate Interim Committees on Education conduct a study in the upcoming biennium to recommend the actual per-student funding amount needed to meet average daily membership growth needs. The study should:

(a) Determine the amount of funding change, if any, in the operations and maintenance component of the matrix to account for efficiency;

(b) Identify whether and to what degree other components of the foundation funding matrix may need to be changed;

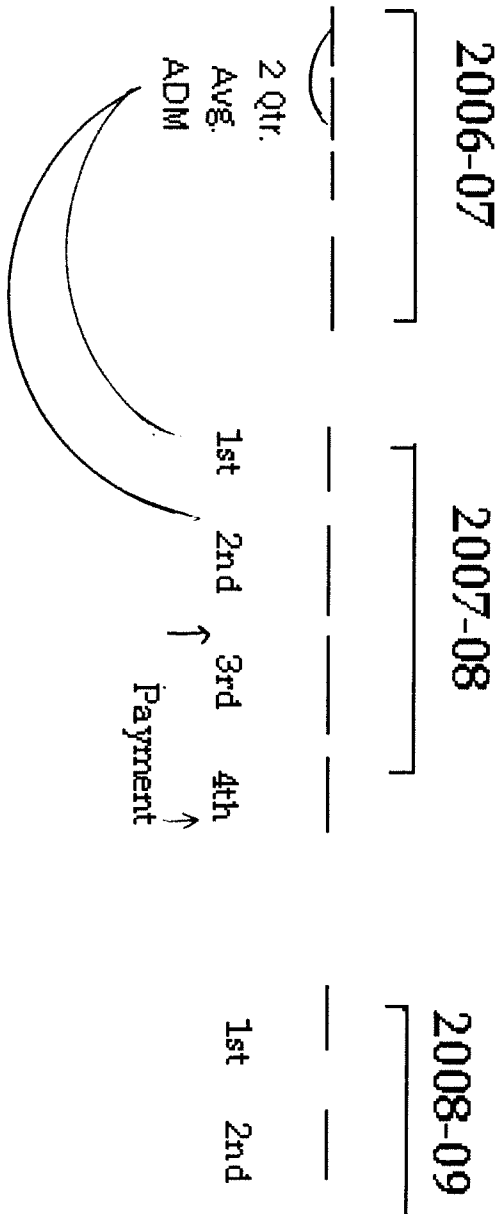
(c) Assess student mobility from district to district within the state; and

(d) Review what level of student growth may necessitate a need for additional funding.

BE IT FURTHER PROPOSED that the House and Senate Interim Committees on Education prepare a report detailing the results of the study on or before May 1, 2008.

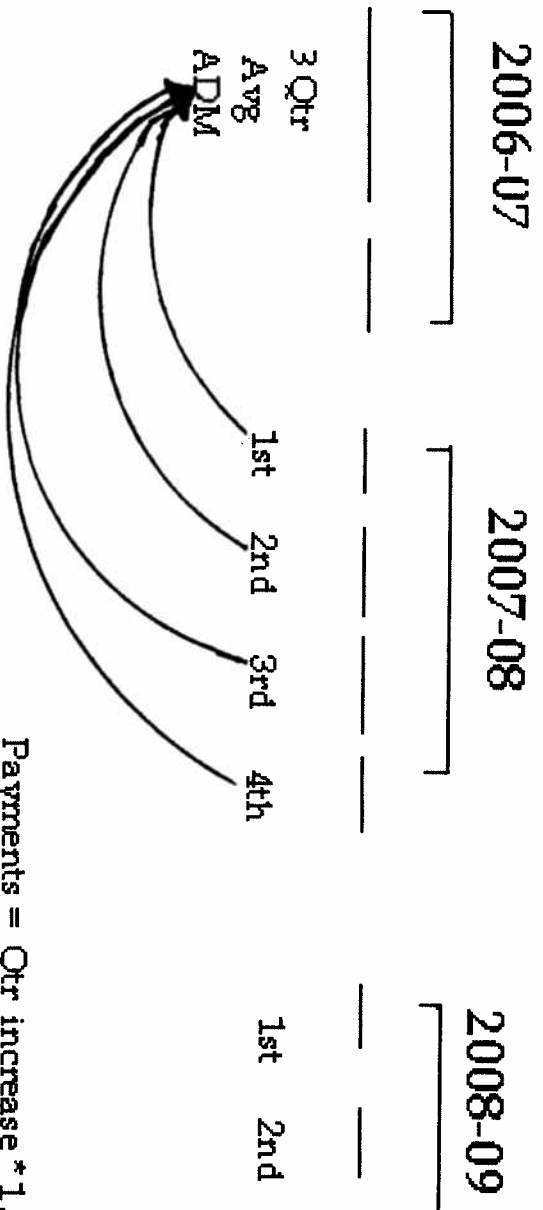
B

FORMER GROWTH FUNDING CALCULATION



Payment = Increase # of students * \$5,400.

CURRENT GROWTH FUNDING CALCULATION



Payments = Qtr increase * 1/4
 current foundation funding
 4th Payment = is made at start of
 the following school year.

TYPICAL GROWTH PATTERN

2006-07

2007-08

2008-09

3 Qtr
Avg
ADM

1st 2nd 3rd 4th

1st 2nd



HIGH SUSTAINED GROWTH PATTERN

2006-07

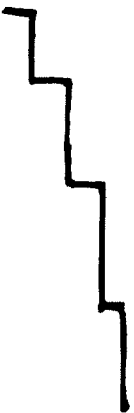
2007-08

2008-09

3 Qtr
Avg
ADM

1st 2nd 3rd 4th

1st 2nd



1 rules promulgated by the State Board of Education; and
2 (2)(A) Student growth funding is calculated as the sum of the
3 following amounts:
4 (i) One quarter (1/4) of the per student foundation
5 funding for the school district under § 6-20-2305(a)(2) multiplied by the
6 increase, if any, of each of the following:
7 (a) The school district's quarterly average
8 daily membership for the first quarter of the current school year over
9 average daily membership of the previous school year;
10 (b) The school district's quarterly average
11 daily membership for the second quarter of the current year over the average
12 daily membership of the previous school year;
13 (c) The school district's quarterly average
14 daily membership for the third quarter of the current school year over the
15 average daily membership of the previous school year; and
16 (d) The school district's quarterly average
17 daily membership for the fourth quarter of the current school year over the
18 average daily membership of the previous school year; and
19 (ii) excluding Excluding any increase resulting
20 solely from consolidation or annexation with another school district.
21 (B)(i) The State Board of Education shall establish by
22 rule the timing of distributions of student growth funding and the mechanism
23 for determining the quarterly average daily membership to be used in
24 calculating student growth funding under this subsection (c).
25 (ii)(a) As the fourth quarter average daily membership
26 count will not be available until the following school fiscal year, the final
27 distribution for each school year shall include one half (1/2) of the per
28 student foundation funding for the school district under § 6-20-2305(a)(2)
29 multiplied by the increase, if any, of the school district's quarterly
30 average daily membership for the third quarter of the current school year
31 over the average daily membership of the previous school year.
32 (b) As a result of calculating the
33 distribution in subdivision (c)(B)(ii)(a) of this section, either an
34 adjustment shall be made in the initial distribution of growth funding for
35 the district in the following school year to be based on the actual fourth
36 quarter growth determined in subdivision (c)(2)(A)(i)(d) or the school

1 district shall refund the overpayment in growth funding.

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3

4 SECTION 7. Arkansas Code § 6-17-2403(b) and (c), concerning the
5 minimum teacher compensation schedule, is amended to read as follows:

6 ~~(b)(1) In school year 2004-2005, each school district in the state
7 shall have in place a salary schedule with at least the following minimum
8 levels of compensation for a basic contract:~~

9

10	Years of Experience	BA Degree Salary	MA Degree Salary
11	0	\$27,500	\$31,625
12	1	27,950	32,125
13	2	28,400	32,625
14	3	28,850	33,125
15	4	29,300	33,625
16	5	29,750	34,125
17	6	30,200	34,625
18	7	30,650	35,125
19	8	31,100	35,625
20	9	31,550	36,125
21	10	32,000	36,625
22	11	32,450	37,125
23	12	32,900	37,625
24	13	33,350	38,125
25	14	33,800	38,625
26	15	34,250	39,125

27

28 ~~(2) In school year 2005-2006, each school district in the state
29 shall have in place a salary schedule with at least the following minimum
30 levels of compensation for a basic contract:~~

31

32	Years of Experience	BA Degree Salary	MA Degree Salary
33	0	\$27,940	\$32,131
34	1	28,390	32,631
35	2	28,840	33,131
36	3	29,290	33,631

Stricken language would be deleted from and underlined language would be added to the law as it existed prior to this session of the General Assembly.

Act 1006 of the Regular Session

As Engrossed: H3/19/07 H3/22/07 S3/27/07

1 State of Arkansas
2 86th General Assembly
3 Regular Session, 2007

A Bill

HOUSE BILL 2656

4
5 By: Representatives Walters, R. Green
6
7

8 For An Act To Be Entitled

9 AN ACT TO PROVIDE FOR GREATER ACCURACY BY PUBLIC
10 SCHOOL DISTRICTS ENTERING FINANCIAL AND STUDENT
11 MANAGEMENT DATA INTO THE ARKANSAS PUBLIC SCHOOL
12 COMPUTER NETWORK; AND FOR OTHER PURPOSES.

13
14 Subtitle

15 AN ACT TO PROVIDE FOR GREATER ACCURACY
16 BY PUBLIC SCHOOL DISTRICTS ENTERING DATA
17 INTO THE ARKANSAS PUBLIC SCHOOL COMPUTER
18 NETWORK.
19
20

21 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
22

23 SECTION 1. Arkansas Code § 6-20-2203(c), concerning the rules relating
24 to the uniform accounting system for public school districts, is amended to
25 read as follows:

26 (c) In addition, the rules or the handbook shall include, but not be
27 limited to:

28 (1) Categories to allow for the gathering of data on separate
29 functions and programs;

30 (2) Categories and descriptions of expenditures that each public
31 school or school district shall report on its annual school performance
32 report authorized by the School Performance Report Act, § 6-15-1401 et seq.
33 The reported expenditures shall include, but not be limited to, the following
34 categories:

35 (A) Total expenditures;



- 1 (B) Instructional expenditures;
- 2 (C) Administrative expenditures;
- 3 (D) Extracurricular expenditures;
- 4 (E) Capital expenditures; and
- 5 (F) Debt service expenditures;

6 (3)(A) Categories and descriptions of public school and school
 7 district expenditures that allow for the gathering of data on separate
 8 functions and programs provided by law, including without limitation the
 9 following expenditures: ~~and~~

- 10 (i) Athletic expenditures;
- 11 (ii) Student transportation expenditures;
- 12 (iii) School district level administrative costs;
- 13 (iv) School level administrative costs;
- 14 (v) Instructional facilitators;
- 15 (vi) Supervisory aides;
- 16 (vii) Substitutes; and
- 17 (viii) Property insurance.

18 (B) The Department of Education shall implement the
 19 expenditure categories in this subdivision (c)(3) beginning with the 2007-
 20 2008 school year;

21 (4)(A) Categories and descriptions of public school and
 22 school district expenditures that allow for the tracking of expenditures from
 23 the following sources of revenue:

- 24 (i) Student growth;
- 25 (ii) Declining enrollment;
- 26 (iii) Special education catastrophic occurrences;
- 27 (iv) Special education services;
- 28 (v) Technology grants;
- 29 (vi) Debt service funding supplement;
- 30 (vii) General facilities funding;
- 31 (viii) Distance learning; and
- 32 (ix) Gifted and talented.

33 (B) The department shall complete a trial implementation
 34 of the revenue categories in subdivisions (c)(4)(i) and (ii) of this section
 35 by the end of the 2007-2008 school year, and fully implement all revenue
 36 categories in this subdivision (c)(4) beginning with the 2008-2009 school

1 year;

2 (5)(A) Categories and descriptions of student management coding,
3 including without limitation:

4 (i) Number of students transported; and

5 (ii) Daily route mileage.

6 (B) The department shall implement this subdivision (c)(5)
7 beginning with the 2007-2008 school year;

8 (6)(A) Categories and descriptions of restricted fund balances
9 that provide documentation of the purpose for the restriction.

10 (B) The department shall implement this subdivision (c)(6)
11 beginning with the 2007-2008 school year;

12 ~~(4)(7)~~ Categories and descriptions of expenditures that each
13 education service cooperative shall report on its annual report authorized by
14 law; and

15 (8)(A) Rules relating to computing error rates in coding and
16 reporting financial information under the system and penalties to focus on
17 areas needing improvement.

18 (B) The department shall implement this subdivision (c)(8)
19 beginning with the 2007-2008 school year.

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21 /s/ Walters

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23 APPROVED: 4/3/2007

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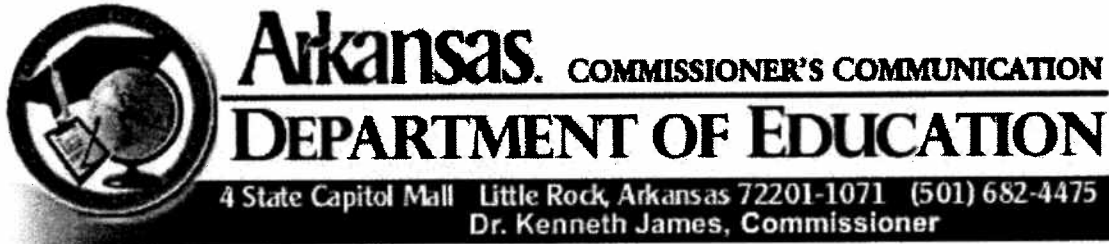
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Name of State	Provision Description
Alabama	Section 16-13-232 subsections (c) through (k) provide "current units" funding for systems showing increases in average daily membership. The FY 2007 appropriation includes \$40,196,137 for current units. Link to the Alabama Code: http://alisd.b.legislature.state.al.us/acas/ACASLogin.asp
Delaware	None except that districts would generate more teacher units based on the increased enrollment.
Florida	<p>There are no factors in the FEFP (Florida Education Finance Program) for high growth districts. The FEFP is for operating funds only. There is a capital outlay appropriation for high growth districts for which about 6 or 8 districts qualify.</p> <p>Florida does provide additional support for districts experiencing declining enrollment as follows: The Declining Enrollment Supplement within the FEFP funds districts at one-half of the prior year's per student base funding for each FTE decrease from the prior year. Base funding is Weighted FTE times the Base Student Allocation times the District Cost Differential and does not include components of the FEFP or categoricals.</p>
Georgia	Georgia's funding formula (Quality Basic Education) does not provide any additional funding or have a factor for high growth school districts. Our formula does involve projecting student enrollment (and providing a mid-year adjustment) to try to keep up with fast growing school systems. Outside our formula, we do have a special category of capital outlay funding to provide additional help in building new classrooms and schools for fast growing systems.
Kentucky	Kentucky does not have an add-on for growth district – nothing beyond the regular growth factor that adjusts the funding in the current year for any growth, not just rapid/high growth. Growth districts are allowed to levy an additional five cents for facilities but not for operating.
Mississippi	<p>Yes, there is a high growth district funding adjustment. The formula was adjusted in this past session after a lot of study – included below is the text from the bill. The many possible definitions of a high growth district was a major discussion topic. Many definitions were considered and the committee was fully aware of the advantages and disadvantages of every definition. The committee finally settled on the definition of 3 consecutive positive growth years.</p> <p>Basically it works like this:</p> <ul style="list-style-type: none"> • To be defined as high growth a district must have positive growth of ADA in the last 3 consecutive years (average of month 2 & month 3 ADA) • The average growth rate of the past 3 years ADA is calculated (the average of month 2 & month 3 ADA for each year) • The 3 year average growth rate is added to the prior year ADA for the allocation

Growth Funding Survey by SREB

Name of State	Provision Description
Mississippi (Continued)	<p>formula ADA. The allocation for the current year (FY07) is based on the prior year's (FY06) ADA (average of month 2 & 3 ADA) plus the growth rate factor.</p> <p>For example: In FY07 a district with FY06 ADA of 100 and a 3 yr average growth rate of 10% would be allocated based on an ADA of 110 ($100 + 10\% = 110$).</p> <p>Mississippi is not fully funding the MAEP formula (Mississippi Adequate Education Program) but has a four-year plan to phase in full funding. There is another adjustment that is part of the four-year phase-in so the high growth formula is also being phased-in. If MAEP is not fully funded FY07, then only 25% of the 3 year growth rate factor is used, in FY08 50% of the 3 year growth rate factor is used, and in FY09 only 75% of the 3 year growth rate factor is used. In FY10, MAEP is fully funded and 100% of the 3 yr growth rate factor is used.</p> <p>In the above example the allocation ADA for FY07 would be: $100 + (25\% \text{ of } 10\%) = 102.5$.</p>
North Carolina	No, it has been discussed occasionally over the past few years, but never seriously considered. The only place it was specifically referenced in a formula was in our 1996 statewide school building bond issue.
South Carolina	No
Tennessee	Yes - TN has a Funding Reserve for Excessive Growth that may occur in a system(s) in one year. For FY06-07, this amount is \$22.1M. Excessive growth is defined as one year enrollment being two percent or greater over the previous year.

F



Memo Number : FIN-08-058

Date Created : 02/26/2008

Attention:

Type of Memo: Informational

Response Required: No

Superintendents
Co-op Directors

Section: Fiscal and Administrative Services - Dr. Bobbie Davis, Assistant Commissioner

Subject:
2007-2008 Student Growth Funding

Contact Person:
Cindy Hedrick

Regulatory Authority:
Ark. Code Ann. § 6-20-2305

Phone Number:
501-682-4258

E-mail:
cindy.hedrick@arkansas.gov

The purpose of this Commissioner's Memo is to provide the attached spreadsheet showing the preliminary 2007-2008 calculation of student growth funding along with information regarding the student growth funding calculation and disbursement schedule. To assist in a review of the spreadsheet, the documents listed below may prove helpful.

- Commissioner's Memo FIN-08-001 – Schedule of 2007-2008 State Aid Disbursements
- Commissioner's Memo FIN-08-004 - State Aid Notice 2007-2008
- Arkansas Department of Education (ADE) Rules Governing the Funding of Public School Districts approved by the Arkansas State Board of Education (ASBE) at the September 10, 2007, meeting;
- Ark. Code Ann. §§ 6-20-2303 and 6-20-2305 regarding student growth funding and declining enrollment funding; and
- Ark. Code Ann. §§ 6-20-601 through 6-20-604 regarding isolated and isolated special needs funding.

Pursuant to Act 272 of 2007, student growth funding is comprised of four calculations. One quarter (1/4) of the per student foundation funding (\$5,719 * ¼ for fiscal year 2007-2008) is multiplied by any increase in the school district's:

1. first quarter current year Average Daily Membership (ADM) over the 3-quarter ADM of the previous school year;
2. second quarter current year ADM over the 3-quarter ADM of the previous school year;
3. third quarter current year ADM over the 3-quarter ADM of the previous school year; and
4. fourth quarter current year ADM over the 3-quarter ADM of the previous school year.

The current year ADM data used for each of the calculations is submitted to Arkansas Public School Computer Network (APSCN) by the school district as shown below. APSCN provides the ADM data to Local Fiscal Services within the following month, in most cases.

- First quarter ADM in Cycle 3 due November 15;
- Second quarter ADM in Cycle 5 due February 15;

- Third quarter ADM in Cycle 6 due April 15;
- Fourth quarter ADM in Cycle 7 due June 15.

The calculation of the amount to disburse according to the Schedule of State Aid Disbursements for fiscal year 2007-2008 published July 5, 2007, as CM FIN-08-001 (two payments of 50% each in January and June of 2008) must be estimated using the data available at the time of disbursement. In January only quarter one ADM is available and in June quarters one, two, and three will be available. The student growth disbursement schedule for 2007-2008 is as follows:

- Approximately 50% in January 2008 – result of calculation one above, plus result of calculation two above using first quarter data in lieu of the unavailable second quarter data;
- Approximately 50% in June 2008 - result of calculation three above, plus result of calculation four above using third quarter data in lieu of the unavailable fourth quarter data;
- In June 2008, the estimated calculation two disbursed in January 2008 is calculated using actual second quarter data submitted in February 2008 and the adjustment is included with the June 2008 disbursement.
- In January 2009, the estimated calculation four disbursed in June 2008 is calculated using actual fourth quarter data submitted in June 2008 and the adjustment is included with the January 2009 disbursement.

Disbursements in subsequent years will follow the schedule detailed in Section 6 of the Arkansas Department of Education Rules Governing the Funding of Public School Districts approved by the Arkansas State Board of Education at the September 10, 2007, meeting.

The timing of the receipt of ADM data for student growth funding poses additional funding challenges, due to the relationship between student growth funding and declining enrollment funding and due to the relationship between declining enrollment funding and isolated funding.

- Pursuant to Ark. Code Ann. § 6-20-2305, a district cannot receive both declining enrollment funding and student growth funding. These two funding categories are calculated using ADM data from different time periods. Therefore, it is possible for a school district to have a decline in ADM for the time period covered by the declining enrollment calculation and growth in ADM for the time period covered by the student growth calculation. Prior to disbursement, the funding amounts are reviewed to determine the category expected to yield the most money. At this juncture, with only quarter one ADM available to calculate student growth funding, the task of identifying the category that yields the most money is difficult, at best. The final determination will be made following the receipt of the fourth quarter ADM and the calculation of the final quarter of student growth funding in the 2008-2009 fiscal year. The fourth quarter adjustment could result in additional student growth funds to the district, district repayment of student growth funds to the ADE, or a change in the category funded (to ensure that the district receives the category yielding the most money).
- Pursuant to Ark. Code Ann. § 6-20-2305, a district cannot receive both declining enrollment funding and isolated special needs funding. Regular isolated funding, for the districts with a partial school closing, is calculated on current year ADM. Therefore, for school districts with a partial school closing, regular isolated funding cannot be calculated with certainty until May or June 2008. Additionally, isolated special needs funding is based on funds remaining after regular isolated funding is calculated. There is no statutory prohibition against a school district receiving both student growth funding and special needs isolated funding. So, in determining the category that yields the most funding between special needs isolated funding and declining enrollment funding, expected student growth funding should be given consideration.

Direct any questions concerning the calculations to Cindy Hedrick or Vivian Roberts at 501-682-4258.

Attachments:

- **Student Growth Funding 07-08**

ADE

References

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Growth Funding Options:For the count

1. Require a certain level of change before paying growth funding
2. Base all funding on current year data
3. Use the quarterly growth count (current plan)

For the amount

1. Use the full matrix amount (current plan)
2. Use the matrix funding less O&M and Central Office funding which are arguably less affected by immediate growth.
3. Same as above but also less a percentage of the other matrix items to adjust for economies of scale.

Student Mobility Options:

1. Request ADE to develop a process to analyze student mobility and report on it annually to the Legislature as part of the Adequacy Study.
2. Request that ADE develop or identify training for teachers and administrators on effective practices for dealing with student mobility that can be a subject of professional development.